

**Before the  
Federal Communications Commission  
Washington, DC 20554**

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	

**REPLY COMMENTS OF THE UNIVERSAL  
SERVICE ADMINISTRATIVE COMPANY**

The Universal Service Administrative Company (USAC) submits these reply comments regarding the Notice of Proposed Rulemaking released in the above-captioned proceeding on June 8, 2004.<sup>1</sup> USAC is the private not-for-profit corporation that administers the universal service support mechanisms pursuant to the Commission's Part 54 regulations.<sup>2</sup> In the *High Cost NPRM*, the Commission sought comment from interested parties on: (1) the eligible telecommunications carrier (ETC) designation process; (2) the recommendation of the Federal-State Joint Board on Universal Service (Joint Board) to limit the provision of high cost support to a single connection that provides a subscriber access to the public telephone network; and (3) several related proposals to modify its rules governing the filing of annual certifications and data submissions by ETCs.<sup>3</sup> USAC submitted initial comments in this proceeding at the request of the Commission.<sup>4</sup>

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<sup>1</sup> See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Notice of Proposed Rulemaking, FCC 04-127 (rel. June 8, 2004) (*High Cost NPRM*).

<sup>2</sup> See generally 47 C.F.R. Part 54.

<sup>3</sup> See *High Cost NPRM*, FCC 04-127 at ¶¶ 2 - 5.

<sup>4</sup> See Universal Service Administrative Company (USAC) Comments (Aug. 6, 2004).

## DISCUSSION

In the *High Cost NPRM*, the Commission specifically sought comment from USAC in two areas: (1) the administration of a primary line approach to the provision of high cost support;<sup>5</sup> and (2) certain proposals to modify its rules governing the filing of annual certifications and data submissions by ETCs.<sup>6</sup> On August 6, 2004, USAC filed comments in this proceeding addressing the administrative aspects of both of those issues. Numerous other parties also submitted comments at that time. The majority of the comments focus on the advantages or disadvantages of limiting high cost support to primary lines or making changes to the ETC designation process.

These are policy matters outside the scope of USAC's comments. Commission regulations provide that USAC "may advocate positions before the Commission and its staff only on administrative matters relating to the universal service support mechanisms."<sup>7</sup> USAC, therefore, has no opinion on and cannot comment regarding the policy choices confronted by the Commission. As the neutral administrator of the universal service support mechanisms, USAC submits these reply comments solely to address the administrative issues raised by the Commission in the *High Cost NPRM*.

The full administrative implications of any policy and/or rules changes will depend in large part on the details of any new approach chosen by the Commission. Although the administrative issues may be more or less challenging depending on the approach selected by the Commission, USAC stands ready to implement any changes to current policy that may result from this proceeding. Whatever the approach ultimately selected by the Commission, USAC urges the Commission to adopt clear rules, provide

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<sup>5</sup> *High Cost NPRM*, FCC 04-127 at ¶ 3.

<sup>6</sup> *Id.* at ¶ 5.

<sup>7</sup> 47 C.F.R. § 54.702(d).

clear direction to USAC and carriers, and choose a process that is transparent, enforceable, and fully auditable.

### **Proposal to Limit High Cost Support to Primary Lines**

Several commenters opined on the administrative issues affecting primary line implementation and operations. Other commenters presented administrative alternatives to the use of a primary line approach. USAC responds to commenters that addressed the current administration of primary line programs, the prospect of administering a primary line balloting process, and alternative administrative approaches to primary line implementation.

#### **1. Existing Uses of a Primary Line Approach**

Several commenters addressed the administration of primary line in the context of existing programs.<sup>8</sup> In particular, two commenters cited Lifeline as an example of a program that uses a primary line approach.<sup>9</sup> While this program has been implemented to provide assistance to qualified subscribers for a single telephone line in a principal residence,<sup>10</sup> USAC relies solely upon its audit authority to enforce the single telephone line practice.<sup>11</sup> In order to more thoroughly enforce the single line practice for the Low Income program, USAC would need to collect more data than it currently is authorized to collect on the Low Income form. USAC also notes that, in 2004, it will disburse

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<sup>8</sup> See, e.g., General Communications, Inc. (GCI) Comments at 28 (filed August 6, 2004); National Association of State Utility Consumer Advocates (NASUCA) Comments at 27 (filed August 6, 2004); People of the State of California and the Public Utilities Commission of the State of California (CPUC) Comments at 7-10 (filed August 6, 2004).

<sup>9</sup> See GCI Comments at 28; NASUCA Comments at 27.

<sup>10</sup> See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd at ¶ 341 (1997) (*First Report and Order*) (stating that “qualifying subscribers may receive assistance for a single telephone line in their principal residence”).

<sup>11</sup> Part 54 rules do not require payment to qualified subscribers on a primary line basis. The Commission stated that Lifeline subscribers may receive support for only a single connection in the background section of the Lifeline portion of the *First Report and Order*. See *First Report and Order*, 12 FCC Rcd at ¶ 341.

approximately \$746 million in Low Income support, compared to approximately \$3.7 billion in High Cost support.

The only commenter providing information concerning existing primary line programs and the attendant administrative issues concerning primary line verification was the California Public Utility Commission (CPUC).<sup>12</sup> In the CPUC program, a carrier must show proof that a customer self-certified that the supported line is primary and eligible for support.<sup>13</sup> The CPUC stated that the administrative issues regarding verification of primary line continue to be a challenge and that the process of improving programmatic verification continues.<sup>14</sup> As an entity with experience in implementing a primary line approach in one state, the CPUC echoes USAC's assertion that any approach adopted by the Commission must have clear rules providing clear direction to USAC and other stakeholders where the process is transparent, enforceable, and fully auditable.

## **2. Balloting Approach**

Several parties address a balloting process whereby each customer would designate which line it considers as its primary line.<sup>15</sup> If the Commission adopts a primary line approach, some type of balloting process would need to be established. USAC believes that it, as the universal service administrator, would be the most logical entity to manage the primary line balloting process, due to increased administrative efficiency and consistency. In its initial comments, USAC raised certain administrative issues associated with the collection and validation of the primary line data.<sup>16</sup> USAC

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<sup>12</sup> See CPUC Comments at 7-10.

<sup>13</sup> *Id.*

<sup>14</sup> See *id.* at 9-10.

<sup>15</sup> See e.g., Verizon Comments (filed August 6, 2004); NASUCA Comments (filed August 6, 2004); AT&T Wireless, Inc. Comments (filed August 6, 2004).

<sup>16</sup> See USAC Comments at 8-12.

believes that the balloting process would be an important part of any primary line approach and requests that the Commission clearly define the procedures, validation process, and timelines involved if it adopts a primary line designation requirement. In addition, USAC would require further clarification on a variety of issues regarding balloting, such as what happens when multiple ballots are submitted, what happens when ballots are either not received or not received in a timely manner, and the resolution of balloting disputes.

Finally, USAC would like to correct the record with respect to the number of incumbent carrier study areas that would be subject to a balloting process if the Commission adopts a primary line approach. Verizon stated in its comments that “only 140 of 1487 total rural study areas – 9.4% - would currently be at risk for losing support to competitive ETCs.”<sup>17</sup> According to USAC’s most recent quarterly demand filing, this number is actually 516 of 1487 total rural study areas (or 34.7%) that would be at risk for losing support to competitive ETCs and, therefore, would be subject to a balloting process for designation of primary lines.<sup>18</sup>

### **3. Alternative Approaches**

At least two commenters suggest alternative approaches to primary line designation. The Rural Telecommunications Associations propose a four-tiered safe harbor approach for wireless carriers.<sup>19</sup> Under this approach, a wireless competitive eligible telecommunications carrier (CETC) would receive a percentage of the ILEC’s

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<sup>17</sup> See Verizon Comments (filed August 6, 2004) at 16-17.

<sup>18</sup> See *USAC Fourth Quarter 2004 Fund Size Projections*, Appendix HC03, Rural Study Areas with Competition, available at [www.universalservice.org/overview/filings/2004/HC03](http://www.universalservice.org/overview/filings/2004/HC03).

<sup>19</sup> See Rural Telecommunications Associations Comments (filed August 6, 2004) at Attachment A. The Rural Telecommunications Associations include the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), the Rural Independent Competitive Alliance (RIGA), and The Rural Telecommunications Group, Inc. (RTG).

per-line high cost support, which would vary depending on the number of lines served by the wireless CETC. A wireless CETC would also have the option to submit a cost study if it believed that its actual costs would justify a higher level of support than it would receive under the safe harbor provision.<sup>20</sup> CC Communications proposes an alternative in which minutes of use would be used to designate primary lines.<sup>21</sup> USAC addresses these alternative proposals only to the extent that they raise potential administrative issues. USAC takes no position on the merits of either of these proposals.

The four-tiered safe harbor approach proposed by the Rural Telecommunications Associations raises several issues that would require Commission clarification if this proposal were adopted. First, USAC questions how study area average per-line support would be defined. Approximately 250 rural carriers elected to disaggregate their high cost support; would disaggregated support be included in the study area average cost per-line calculation? Second, the proposal states that the FCC and the state commissions would be responsible for determining the appropriate safe harbor amounts to be distributed to the wireless carriers, pursuant to the proposed safe harbor percentages. Third, the proposal states that wireless or wireline CETCs may submit cost studies to the Commission and state commissions to justify a higher level of support than would otherwise be obtained under the safe harbor method. In order to maintain efficiency and consistency in administration, USAC suggests that administrative aspects be performed by USAC once policy issues have been resolved by the appropriate policy makers. Finally, the proposal states that USAC would be responsible for disbursing all support subject to the safe harbor approach. If that were the case and USAC was not responsible

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<sup>20</sup> *Id.*

<sup>21</sup> See CC Communications Comments (filed August 6, 2004).

for all other administrative aspects of this proposal, USAC would need to establish a process with each state in order to determine which CETCs were eligible to receive support and the appropriate amount of support available to each CETC. This approach would likely increase the administrative burden on USAC, given the level of coordination that would be required with both the Commission and the various state commissions.

CC Communication proposes that the Commission adopt a minutes of use (MOUs) approach to the designation of primary lines. This approach would require USAC to collect even more data than it would need to collect under a customer balloting approach. That is, USAC would have to collect MOUs for all CETCs and the ILECs in whose study areas they serve, in addition to the customer-specific data that USAC addressed in its initial comments.<sup>22</sup> Administrative complexity would increase as MOU data was updated on a periodic basis and the primary line designation could shift accordingly.

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<sup>22</sup> See USAC Comments at 8 – 10.

## **CONCLUSION**

USAC welcomes the opportunity to respond to the Commission's request for comment as the Commission considers changes to the existing high cost support mechanism. Although the administrative issues may be more or less challenging depending on the approach selected by the Commission, USAC stands ready to implement any changes to current policy that result from this proceeding.

Respectfully submitted,

UNIVERSAL SERVICE  
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September 21, 2004